WORLD BANK NEWS

Volume XIII, No. 10 March 10, 1994

PUBLICATIONS

Gaps In Russia's Social Safety Net Slow Market Transition

Many Russians have suffered new hardships and increasing poverty as their country struggles to make the transition to a market economy. But a new World Bank report says much of this suffering could be relieved by reforming Russia's complex social protection system so that it better reaches the poor.

The report, *Social Protection During the Transition and Beyond* finds that greater numbers of people have slipped through gaps in the social safety net as economic turmoil has led to falling standards of living and widening disparities among regions and groups. Existing benefits have not matched inflation, often falling below poverty levels; nor have they reached millions of "new poor," those hit severely by the economic crisis but not eligible for government aid.

The study, carried out by World Bank experts with support from the Russian authorities, urges the strengthening of Russia's social protection systems to shield the poor from the economic upheavals of transition, which are likely to worsen. In turn, a stronger safety net will allow faster restructuring of the economy and hasten permanent stability.

Unless the Russian economy stabilizes significantly and growth resumes, the

See RUSSIA, *page 3*

IDA Countries Progress On Poverty, Environment And Economic Reform

The International Development Association (IDA), the arm of the World Bank that lends to the poorest countries on easier terms, has helped countries make substantial progress in fighting poverty, protecting the environment and improving economic management in the last three years, according to a new World Bank report.

The report, *The World Bank and the Poorest Countries*, examines IDA work in 60 of the countries considered poorest by most economic and social measures. The report

See IDA, *page 3*

World Bank

About half of recent IDA projects emphasized women's needs, including access to health, education and small-business development.

INSIDE

Two projects in China will boost farmer's incomes and clean Shanghai's polluted water. 2

Structural Adjustment is working in many African countries, but more needs to be done for faster development, a new study says. 4

Development agenda, page 5

Lending roundup, page 6

Donors meeting, page 6

LENDING

China Cultivates Better Agriculture, Higher Farm Incomes in Northeast Provinces

China's rich Songliao Plain, stretching across 145,000 sq. kilometers of two northeastern provinces, is an important agricultural tableland providing the country with corn, wheat soybeans and other food. But farmers on the alluvial plain are hampered by frequent floods, waterlogging, seasonal drought, wind- and sandstorms, all of which contribute to low crop yields and rural poverty.

A new project, supported by a credit of SDR 148.5 million ($205 million) from the International Development Association (IDA), will improve farming and boost the incomes of some 518,000 poor farm families living on the Plain. The credit, approved February 4, will help enhance agricultural techniques, increase tillable land and allow farmers to diversify into higher-yield grains and other crops.

The program is expected to generate almost $200 million in added annual revenue for 40 counties on the Plain, which include some of the poorest communities in China. Most of the 2.5 million farm families in the project area now make about $140 a year.

"As a result of this project, average farm income in the project area will at least triple, and in some cases quadruple," says Rapeepun Jaisaard, a senior agricultural economist in the Bank's China region.

The broad-ranging plan includes dozens of individual projects in seven main areas: irrigation and drainage, soil and water conservation, field crop improvement, orchard development, livestock production, aquaculture and agroprocessing.

Agroprocessing, the project's largest component, will create new jobs on the Plain and provide farm families with new markets for their crops by making farm-based products, many for export. The 14 plants will manufacture apple juice, peanut and sesame oils, paper, leather, alcohol and other products.

"Instead of producing corn for consumption only, they can also produce corn for corn starch, feed corn to livestock to produce meat, and other products," says Jaisaard. "Agroprocessing itself will create full-time jobs for 8,500 people."

Y. Haider/World Bank

A new project will improve farm techniques and allow farmers to grow higher-yield grains.

The project will also:

- Reclaim more than 6,000 hectares of saline-alkaline wasteland in Lianoning Province for use as rice paddies, and improve drainage in waterlogged areas along the Xinkai River.
- Irrigate drylands in several areas for wheat production, and improve drainage in others.
- Help farmer groups purchase almost 700 tractors, implements and other equipment.
- Develop new apple, pear and apricot orchards on hilly lands and rehabilitate existing ones.
- Promote new livestock development—including cattle, sheep, rabbits, deer, geese and pigs—and establish abattoirs and processing plants. Individual households will breed and fatten livestock for eventual sale.
- Develop 15,000 hectares of low-lying mudflat wasteland for shrimp, shellfish and river crab production, including hatcheries and cold storage.□

Environmental Project to Clean Shanghai's Water

Shanghai, the world's fifth largest city and one of the most densely populated, is a booming industrial center and the economic engine for much of eastern China. But Shanghai's future growth, and the welfare of its 14 million residents, depends on something the city lacks: clean, safe water.

Shanghai takes its water from the lower reaches of the heavily polluted Huangpu River, where industries, ships and municipal plants dump tons of inadequately treated waste. Water coming into the city system often contains toxic chemicals and known carcinogens at levels that cause taste, odor and health problems.

M. Iannaci

Geoffrey Read

A $160 million World Bank loan approved March 8 will help Shanghai clean up its water supply by moving the intake system to fresher waters up river. The project also includes several other environmental and pollution control initiatives, including wastewater and sewage treatment

See SHANGHAI, page 4

READEX

Russian Social Protection Systems Strained

RUSSIA, *from page 1*

report finds, people will not have access to well- paying jobs, which are the main guarantee of social protection. Until inflation is brought under control, it will prove virtually impossible to provide adequate social protection for all those in need.

Russia's social welfare system is being stretched between rising demands on programs and falling revenues to pay for them, both caused by economic shocks that have jolted the country in recent years. General prices jumped 15-fold in 1992, while staples like bread and dairy products skyrocketed 100- to 150-fold. In mid-1993, real wages in Russia had fallen 20 percent below 1991 levels.

These ruinous economic pressures have eroded living standards and left Russian households ravaged by inflation. With no good hedges against inflation, poverty is increasing and new groups of people are becoming poor.

Best estimates suggest up to one third of Russians–some 50 million people–live below minimum threshold income. Most of the poor are low-paid working families with children. The next largest group is the elderly. The most severe poverty, according to the survey, is suffered by families with an unemployed member and those with two or more children or with disabled members.

The report recommends measures to strengthen the social safety net in areas including unemployment benefits, pensions, local social assistance and cash benefits of last resort. Many of the reforms could be achieved through better allocation of social spending away from inefficient subsidies.

Unemployment. Official unemployment remains low, less than 1.5 percent, but unemployment will grow significantly as adjustment process continues. Many people on forced unpaid leave or working only part time are uncounted. Most of the unemployed (74 percent, almost 90 percent in some regions) are women.

The most urgent need for the unemployed, according to the report, is to establish systems to find and register those out of work and to pay out their benefits (strengthening of employment services is a main goal of a 1992 Bank loan). But the benefits themselves should be boosted above the poverty threshold, the report says, and services should include employment counseling, retraining and temporary employment schemes.

Pensions. The pension fund has been a good revenue collector, even operating with a surplus in 1992. But it has failed to provide the minimum income for significant numbers of the elderly.

The study recommends that minimum pensions, which Russians receive after 20 years of work, be raised above the minimum subsistence level, and be indexed often enough to keep benefits above the poverty threshold.

Local Services. The study finds local authorities need federal assistance to supply many of the services once provided by state enterprises in their cities, including health and education. Because their new responsibilities did not come with adequate new funding, local governments are under increasingly grave financial pressure, with devastating consequences for vulnerable individuals and families.

Benefits of Last Resort. The report also recommends that families have access to a cash benefit of "last resort" to keep them from falling into dire poverty. The locally priced and administered benefits should be enough to provide families, according to their size, with basic needs.

Journalists may receive more information by contacting the Information and Public Affairs Office, (202)473-1786. □

IDA Lends $18.9 Million in 3 Years

IDA, *from page 1*

looks at IDA performance from July, 1991 to June, 1993. The Association's priorities are poverty reduction, environmental protection, and economic reform.

"Substantial progress was made in all three areas," the report says. "Poverty reduction assumed a central role in country assistance strategies. Economic reform programs supported by the World Bank were extended to a number of new countries. [And] most of IDA's major borrowers developed environmental action plans."

Overall, IDA lending commitments during the period totaled SDR 13.7 billion ($18.9 billion), a 14-percent increase over the previous three years. African countries received 46 percent of the commitments.

Many of the projects are new or ongoing, and the report does not evaluate how they were implemented or their final benefit to people in the borrowing countries. Moreover, the report covers a turbulent economic and political period. Following the end of the cold war and global recession that slowed world trade growth, 10 new countries became eligible for IDA assistance.

Poverty Reduction

Reducing poverty has long been an overarching goal of the Bank and IDA. In the last three years, IDA launched a comprehensive strategy to emphasize economic growth (and the creation new jobs) and directly target the poor.

IDA research now includes formal poverty assessments to identify the poor and better understand the nature and causes of their poverty, the report says. Women's issues, including access to health and education, were increasingly emphasized, with about half of IDA projects specifically addressing the needs of women. IDA sharply increased its support for population programs during the period.

In Malawi, IDA supported an innovative pilot program to provide credit to women entrepreneurs and farmers. In India, the Association helped the government's efforts to bring women into fish and shrimp production. Bangladeshi

See IDA, page 6

PUBLICATIONS

Structural Reforms Paying Off, But Economic Progress Slow in Most of Africa

The following story on the publication, Adjustment in Africa: Reforms, Results and the Road Ahead, *is embargoed for release until 20.00 GMT, Saturday, March 12.*

A broad restructuring of economic policies has spurred growth in many African nations and such reforms are essential for future economic development, according to a new World Bank study. But policy reforms alone will not pull the countries out of poverty, the study says.

The report, *Adjustment in Africa: Reforms, Results and the Road Ahead,* looked at economic performance and so-called structural adjustment in 29 Sub-Saharan countries in the 1980s. It found that while growth in the region remained slow, countries with improved policies saw the biggest jump in growth. Those without reformed policies suffered slower or slumping growth, and all the countries need to do more to provide stable economic conditions.

"The good news is that in those countries that went the farthest to reform their economic policies there has been a resurgence of economic growth," says Christine Jones, who prepared the report along with fellow Bank economist Miguel Kiguel. "Adjustment is working for that group of countries.

"The bad news is that all the countries still have a long way to go in reforming their policies to get the rapid and sustained growth needed for poverty reduction."

The book is the Bank's most comprehensive study of the relationship in Africa between economic growth and the reforms that the Bank supports, but which are often difficult or controversial for governments to implement. Adjustment is working in countries with sustained policy reforms, but no country has gone the full distance in restructuring its economy, the report says.

C. Carnemark/World Bank

High and hidden taxes on agriculture slowed economic growth in many African countries.

The extent of policy reforms in Africa varied widely, but countries generally did better in improving macroeconomic, trade and agricultural policies than in reforming the financial and public sectors. African nations will need to improve all of these areas to achieve the basic economic soundness–low inflation, low budget deficits and competitive exchange rates–that is needed for growth to take off and poverty to fall, the study says.

"Development cannot proceed when inflation is high, the exchange rate overvalued, farmers overtaxed, vital imports in short supply, prices and production heavily regulated, key public services in disrepair, and basic financial services unavailable," the report says.

In addition to economic policy reform, the report says other initiatives are needed to shift Africa onto a faster development track. These include improving people's health and education, repairing infrastructure and providing stronger institutions and better governance.

"You want good economic policies, but you also need better investment in human capital," Jones says. "There needs to be a reallocation of public spending to high payoff areas like basic education and health."

The report compares policies and growth during two periods: 1981 to 1986 when most of African nations were hit by economic crisis; and 1987-1991, when many began economic reform.

Of the 26 countries studied and ranked by economic policy performance, the six with significant policy improvements–Ghana, Tanzania, The Gambia, Burkina Faso, Nigeria and Zimbabwe–showed the biggest improvement in per capita growth of Gross Domestic Product (GDP).

Nine countries with a smaller improve-

See **AFRICA**, *page 6*

Project Includes Pollution Control

SHANGHAI, *from page 2*

plants, water quality monitoring systems and solid waste and nightsoil management. The project will use satellite imagery to detect environmental changes and help future planning.

The project will allow Shanghai to provide water that meets World Health Organization and Chinese standards. The new systems will also reduce the risk from future environmental disasters in the crowded waterways that supply the city's water.

"If there was a major, or even minor, ship accident in the waterway system involving dangerous pollutants, the city would have to shut down the entire system for a period of time," says Geoffrey Read, senior municipal engineer in the Bank's China region. "It's a very big investment, but will enable the city managers to be able to sleep soundly at night and ensure economic growth." □

Development Agenda

Date	Event	Sponsor	Location	Telephone
MARCH				
14-16	Meeting of the Global Environmental Global Facility	GEF	Geneva	(202)473-8324*
15	International Women's Month: Speaker: Dorothy Thomas, Director Women's Rights Project, Human Rights Watch	World Bank	Washington	(202)458-2865*
17-18	Sierra Leone Consultative Group Meeting	World Bank	Paris	(33-1)4069-3016
21	International Women's Month: Speaker: Dr. Mamphela Ramphele, Dep. Vice Chancellor, Cape Town University	World Bank	Washington	(202)458-2865*
21-29	World Telecommunication Development Conference	ITU	Buenos Aires	(41-22)730-5111
22-23	Ministerial Conference on Drinking Water and Environmental Sanitation	Gov't of the Netherlands, Ministry of Housing, Physical Planning and Environment	Noordwijk, The Netherlands	(31)79 317 213
22-23	Zambia Consultative Group Meeting	World Bank	Paris	(33-1)4069-3016
APRIL				
4-7	Fifth Global Warming Science and Policy International Conference and Expo	Global Warming International Center	San Francisco	(708) 910-1551*
4-9	21st World Conference of the Society for International Development	SID	Mexico City	(0939) 6591-7897
11-13	Annual Meeting of the Board of the Inter-American Development Bank	IDB	Guadalajara, Mexico	(202)623-3435*
12-14	Ministerial Meeting on Sustainable Settlement and Development of the Onchocerciasis Control Programme Area	World Bank	Paris	(33-1)4069-3016

Editor's Note: *Development Agenda* is a feature that alerts journalists to key news events in the field of economic development. Journalists should contact sponsoring agencies for details about each event. Asterisk (*) indicates telephone number is in the U.S.A. All other telephone numbers include country and city codes.

IDA Targets Women's Issues

IDA, *from page 3*

women are being encouraged to become marketing agents for liquid petroleum gas and stoves.

Environmental Protection

In most of the poorest countries, much more needs to be done to bring environmental issues to the center of development efforts, the report says. To encourage environmentally sustainable development, the Bank and IDA now require borrowing countries to prepare national environmental action plans to identify each country's highest environmental priorities.

The plans were completed by 22 IDA borrowing governments and are well underway in almost all others. In Uganda, IDA helped set up forums and workshops that generated enthusiastic popular participation and produced 57 consensus issues on the environment.

IDA lent about SDR 2.1 billion ($2.9 billion) for 59 projects with mainly environmental goals in the last three years, and the pace of such lending increased steadily during the period. South Asia, where there are great needs for investment in urban and industrial environmental protection, accounted for about half of the lending.

Economic Reform

Reforms long assisted by the Bank and IDA seek to secure a sound economic environment, an efficient public sector and a robust, job-producing private sector. According to the report, IDA projects supported such reforms in 27 countries, including 10 in which new reform programs were launched.

IDA projects helped countries work out debt problems with international financial institutions, improve public investment programs, reform civil services and restructure cumbersome public enterprises.

A 1992 IDA credit to Zambia helped the country reduce its bloated bureaucracies by 20,000 workers by introducing early retirements, effective discharge procedures and identification of ghost workers.

In Albania, previously cooperatively-owned land, which made up almost 70 percent of all arable land, was distributed to individual farm workers, creating close to 380,000 family farms. IDA is supporting the change with agricultural and poverty programs.

To increase private business activity, almost 120 IDA projects contained elements to improve business climates by reforming regulations and law. And more than 70 projects during the period helped strengthen banks and other financial institutions.

Journalists may receive complimentary copies of the report by writing on company letterhead to the World Bank, Office of the Publisher, Marketing Unit, Room T-8054, Washington, D.C. 20433, U.S.A. Fax: (202)676-0579.□

Lack of Reform Tied to Slower Growth

AFRICA, *from page 4*

ment in policies showed slower GDP growth, and the 11 countries that suffered worsening economic policies had the poorest growth record, with GDP actually declining in most cases. These include Cote d'Ivoire, Cameroon, Congo, Mozambique, Sierra Leone and Zambia.

Journalist may receive complimentary copies of Adjustment in Africa: Reforms, Results, and the Road Ahead, *by writing on company letterhead to the World Bank, Office of the Publisher, Marketing Unit, Room T-8054, Washington, D.C. 20433. Fax: (202) 676-0579.*□

Help Pledged to Ethiopia

Member nations of the Consultative Group for Ethiopia, meeting in Paris March 7 and 8, pledged $1.1 billion in the next two years to support Ethiopia's reform program. About $350 million of the commitments will go to balance of payments support; the rest will finance projects in private sector development, health, education, population and other areas.

Weekly Lending Roundup

MAURITANIA

A credit of SDR 13.1 million ($18.2 million) approved March 8 by the International Development Association will help the Islamic Republic of Mauritania to improve its agriculture. The project will enhance the country's extension program, strengthen its research and training systems and help decentralize the Ministry of Rural Development and the Environment.

WORLD BANK NEWS

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WORLD BANK NEWS

Volume XIII, No. 11 March 17, 1994

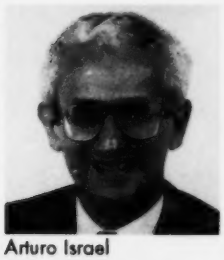
LENDING

Maintenance Projects Promote Highway Health Care

In Nepal, where the massive Himalayas are still unfolding a few inches each year and monsoon rains flood the land every season, building new roads is an enormous challenge. But even more difficult than building them, in Nepal as in most countries, is maintaining them.

Now the mountainous country is launching an effort to better maintain its crucial road system with help from a credit of SDR 36.6 million ($50.5 million) from the International Development Association approved March 15. Two other World Bank projects approved this week target road maintenance programs in Brazil ($220 million) and Indonesia ($350 million). Altogether, the more than $600 million in lending reflects the realization by borrowing countries and the Bank and that road maintenance needs to be as important as road building.

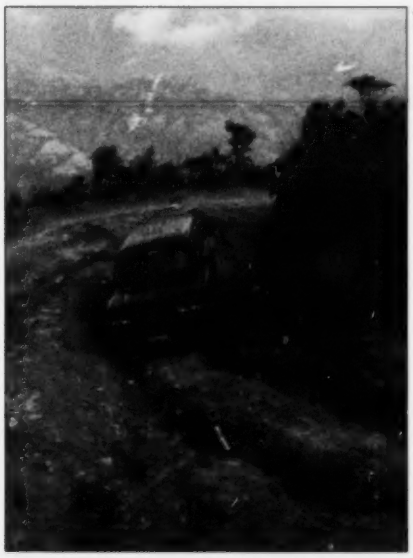
M. Iannacci



Arturo Israel

"It's a high priority in Bank lending, a major focus," says Arturo Israel, senior advisor in the Bank's Transportation, Water and Urban Development Department. "In most countries, it's very difficult to get maintenance or even good allocation of funds for maintenance."

Juan Gaviria



Nepal has built thousands of kilometers of roads, but maintenance is poor. This mountain road shows typical rutting.

Despite inescapable financial logic—one dollar spent on road maintenance can save up to three dollars in future economic costs—the bias against maintenance spending is well known in most of the world.

Maintenance programs are difficult to organize and sustain, and new roads are simply more rewarding politically. Even the richest countries endure decaying roads and rusting bridges as they build new ones.

But in some developing countries, where the failure to get a single season's crop to market can send ripples though the whole economy, the risks from bad roads are even greater.

"Following economic reform and the development of the private sector, one of the main concerns for a developing country is the adequacy of its infrastructure, particularly the roads," says Israel. "Roads are the arteries and the veins that connect most economic activity and allow the mobility of persons through-

See HIGHWAYS, *page 2*

Three highway maintenance projects have been approved for Brazil, Indonesia and Nepal. **2**

Zambia will receive a $150 million credit to continue its economic reform program. **4**

Development agenda, page 3

Lending roundup, page 4

Countries Strengthen Local Maintenance Programs

HIGHWAYS, *from page 1*

out the country. They determine the competitiveness of a country."

In Brazil, the new project will improve roads throughout three of the country's poorest states: Maranhao, Piaui and Tocantins. The northeastern states, with a combined area the size of France and Germany, have rich agricultural potential. Better maintained roads will carry rice to markets in the region and soybeans and grains to distant ports for export.

Nepal has managed to carve 8,300 km of roads through the mountains in the last 40 years, but the government can adequately maintain only about a quarter of them. The remaining three quarters, according to a 1992 estimate, are in only fair to poor condition, costing Nepal's economy about $40 million a year.

In all three countries, as in most highway lending, the focus of the Bank project is to strengthen the ability of local highway departments to maintain their own roads. The Brazilian government will continue to transfer more maintenance authority to state road agencies, which have been mainly concerned with new construction.

"They have been effective in building new road networks," says Jacques Cellier, a senior transport economist in the Bank's Latin America region, "but most of them have not shifted to maintenance."

At the Bank and among borrowing countries, emphasis on maintenance has grown in recent years to become the mainstay of highway lending, which amounts to almost $19 billion in the Bank's history. Good maintenance programs are seen as necessary for a country to realize the full value of a new road.

"The way to ensure that the benefits from a road investment are realized is to devote sufficient resources to maintaining it," says Juan Gaviria, a transport specialist in the Bank's South Asia region and task manager for the Nepal project. "Unless you have a framework to maintain the previous investment in a new road, it's very difficult to justify new investments."

The economic crises of the 1980s worsened the neglect of infrastructure around the world, depriving some regions of transport links they can ill afford to lose.

"In some countries paved roads have literally disappeared," Israel says.

In Nepal, the very speed of the building program over the last decades left most roads, once they were built, at the mercy of the country's harsh environment. The new project will tackle the backlog of maintenance and strengthen the financing, planning and management of Nepal's own maintenance programs.

In Indonesia, which boasts comprehensive maintenance programs, faster economic growth and a burgeoning vehicle fleet are beginning to overwhelm the road network, despite spending of about $1.5 billion a year on national and provincial roads.

The new loan will help Indonesia further improve maintenance and finance repairs on more than 4,000 km of roads and bridges. It will also provide training to the country's highway agencies aimed at improving and extending the road management system. □

Highway Maintenance Projects

NEPAL

A credit of SDR 36.6 million ($50.5 million) approved March 15 by the International Development Association will help finance Nepal's road maintenance and rehabilitation program.

The project, which totals $81.1 million and includes funding from the United Kingdom, Switzerland, the United Nations Development Program and Nepal, will help the country clear its backlog of periodic maintenance programs in four adjoining regions. The work will include bridge repairs, resealing and rehabilitation of more than 1,000 km of roads.

Another goal is to devise new ways to fund regular maintenance programs and to upgrade maintenance management and planning in Nepal's national and district road agencies.

INDONESIA

Indonesia's highways are feeling the pressure of the country's economic growth: hundreds of thousands of new vehicles have hit the roads in recent years, testing Indonesia's ability to maintain them.

A World Bank loan approved March 10 will provide Indonesia with $350 million for comprehensive road maintenance and improvements. The Indonesian government is providing another $330.5 million.

The funds will pay for periodic maintenance and specific improvements on 4,200 km of roads, including resurfacing, drainage and bridge repairs. The project will also improve road management at national and local highway departments, and test new ways to incorporate environmental concerns into road planning.

BRAZIL

Three poor states in northeastern Brazil will get better roads under a $220 million World Bank loan approved March 15.

Maranhao, Piaui and Tocantis have some of the least developed infrastructure in Brazil, and particularly bad roads. But the region is rich in agricultural potential, which the new project will help to unleash.

Each of the states will begin a comprehensive program to bolster the planning, contract and environmental capacity of their local road agencies, sustain regular maintenance on 18,500 km or roadways and repair or upgrade 4,200 more.

Development Agenda

Date	Event	Sponsor	Location	Telephone
MARCH				
21	International Women's Month: Speaker: Dr. Mamphela Ramphele, Dep. Vice Chancellor, Cape Town University	World Bank	Washington	(202)458-2865*
21-29	World Telecommunication Development Conference	ITU	Buenos Aires	(41-22)730-5111
22-23	Ministerial Conference on Drinking Water and Environmental Sanitation	Gov't of the Netherlands, Ministry of Housing, Physical Planning and Environment	Noordwijk, The Netherlands	(31)79 317 213
22-23	Zambia Consultative Group Meeting	World Bank	Paris	(33-1)4069-3016
APRIL				
4-7	Fifth Global Warming Science and Policy International Conference and Expo	Global Warming International Center	San Francisco	(708) 910-1551*
4-9	21st World Conference of the Society for International Development	SID	Mexico City	(0939) 6591-7897
5-9	Meeting of the Program on Environment Information Systems	Advisory Committee of EIS	Harare, Zimbabwe	(202)473-4332
11-13	Annual Meeting of the Board of the Inter-American Development Bank	IDB	Guadalajara, Mexico	(202)623-3435*
12-14	Ministerial Meeting on Sustainable Settlement and Development of the Onchocerciasis Control Programme Area	World Bank	Paris	(33-1)4069-3016
19-20	Bangladesh Aid Group Meeting	World Bank	Paris	(33-1)4069-3016
23	G-24 Meeting of Deputies	World Bank	Washington	(202)473-1784*
24	G-24 Meeting of Ministers	World Bank	Washington	(202)473-1784*
26	Development Committee Spring Meeting	World Bank	Washington	(202)473-1784*

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LENDING

Zambia Enters Next Reform Stage With Focus on Social Services

New financial backing from the International Development Association (IDA) will help Zambia build on three years of economic policy reform by supporting the next phase of the African country's economic regeneration.

A SDR 108.9 million ($150 million) credit approved March 10 will provide vital "balance-of-payment" financing to the heavily debt-burdened country as it continues to restructure its weak economy. The credit is IDA's third to promote Zambia's difficult policy reforms since 1991.

Among other things, Zambia will be able to use the credit as a source of foreign exchange needed to import goods and services that are in short supply, including equipment to improve agriculture and build industries. At the same time, the Zambian government has pledged to continue its reforms in three priority areas: increasing economic stability, energizing the private sector and improving basic services to help the poor.

"This is an advanced adjustment program, an opportunity that has been created because they have taken some of the hard decisions," says Steen Jorgensen, a senior economist in the Bank's Southern Africa region. "They have been very aggressive on the privatization and stabilization fronts."

The need now, Jorgensen says, is for programs to take advantage of the good groundwork Zambia has laid. The new credit, for example, specifies programs that spur economic activity and deliver better social services to the poor who have suffered under some of the reforms.

Drawing on the country's widely praised response to the recent drought, when the corn crop fell to a third of domestic needs, Zambia has begun to shift some of the authority for social services to well-positioned local governments, non-governmental organizations, churches and other groups.

"In many ways, the drought relief experience was very good," Jorgensen says. "They're now applying those lessons for safety net programs."

Under the new credit, the government will continue to decentralize social services, restructure the budget for health, education and water programs and continue civil service reform. Zambia's increasing emphasis on social services will help bolster public support for continuing the aggressive economic reform program that has pulled the country from near ruin to the threshold of solid growth.

Since 1991, a new government has dismantled price controls, freed the exchange rate, loosened import and export controls and launched an ambitious privatization program. Consumer and producer price subsidies, which recently devoured more than 10 percent of the budget, are gone. And some key social indicators, which had worsened in the 1980s, now show improvement. Rehabilitation is underway at 400 schools, 300,000 new textbooks reached students in 1993 and funding for drugs more than doubled in the latest budget.

Zambia's economic growth could reach 5 percent in the next five years if reforms continue, driven by expanding agriculture, tourism and financial services. As more industries become private, and all public industries are potentially for sale, manufacturing will contribute increasingly to the economy.

Despite Zambia's brighter prospects, progress has been slow and the cost of stabilization has been high.

"The economy has stopped falling, but growth is not picking up," says Jorgensen. "They've changed the policies but the implementation at ground level has been slow."

To build on past reforms, the government, with the help of the new credit, aims to further reduce inflation, cut some public spending and stimulate the private sector, in part by freeing up the land market. □

Weekly Lending Roundup

LAO PDR The Lao People's Democratic Republic will provide new roads, expanded water systems and better planning in the Luang Namtha Province with help from a SDR 7.1 million ($9.67 million) credit approved March 15 by the International Development Association. Most of the 122,000 people of the northern province are locked into subsistence farming by the lack of infrastructure, which forces farmers to spend hours traveling to their fields and seeking water.

WORLD BANK NEWS

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WORLD BANK NEWS

Volume XIII, No. 12 March 24, 1994

LENDING

Peru Adopts A 'Two-Wheeled' Strategy To Tackle Urban Transport Woes

Lima, Peru, faces urban problems familiar to many developing countries: ever worsening traffic, rising pollution and many workers so poor they spend as much as a quarter of their salaries on bus fares. In the hope of relieving these concerns, Lima is turning to a low-tech solution: the bicycle.

With help from $3 million of a $150 million transportation loan approved by the World Bank March 17, Peru will adopt an innovative pilot program to promote greater bicycle use in its crowded capital city. The project will supply 45 km of paved bicycle paths connecting residential and industrial areas within Lima and establish a credit program to help people buy cheaper bikes.

"It's a new approach to promoting mobility for the poor," says Gerhard Menckhoff, a senior transportation specialist in the Bank's Latin America region. "It's a tiny bit of the money, but I consider it the crown jewel of the transport project. It addresses the problems of the poor in an environmentally sustainable way."

The overall loan will fund a range of projects to improve the country's transportation infrastructure, including road repairs, traffic safety measures and environmental improvements. As part of work on the national rail system, Peru will recondition the famous railway that connects, along a breathtaking Andean route, Lake Titicaca with the ancient Inca

See **BICYCLES**, *page 2*

Looking for a lane of his own.

China plans to boost economic growth in one of its poorest provinces by tapping into the region's supply of clean burning natural gas. **3**

Developing and industrialized countries pledged more than $2 billion to fund the Global Environment Facility for the next three years. **3**

Russia speeds up the pace of land reform using an IFC model to privatize the country's vast system of collective farms. **4**

Development agenda, page 5

Lending roundup, page 6

Consultative meetings, page 6

Lima Bicycle Project Promotes Clean Commuting

BICYCLES, *from page 1*

stronghold of Machu Picchu.

Lima, like many American cities, has developed a distinctly and may never embrace two-wheeled transport to the extent of some Asian urban centers, Menckhoff says. But the bicycle program could provide a faster and cheaper way to get to work for more than 70 percent of the 70,000 workers in the pilot area, while reducing traffic snarls and air pollution at the same time.

Lima is in many ways an ideal city for bicycle commuting: it's flat, without much rain and enjoys relatively mild temperatures most of the year. And many of Lima's 6.5 million people are potential cyclists: 63 percent are under 30 years old; most are poor and have rising transportation needs. But only 2 percent of workers in the pilot area bicycle to work. Cost and safety deter them.

Drivers in Lima are notoriously aggressive, particularly toward pedestrians and non-motorized vehicles like bicycles and vendors' carts. The city's plan to build four trunk bicycle ways and dedicated bicycle lanes will separate riders from Lima's dangerous traffic.

But the lanes will remain empty unless more people are able to afford bicycles, which cost at least $150. The project's credit plan will allow people to borrow money for a bicycle costing up to $100, and many employers in the region have agreed to oversee automatic salary deductions to ensure low default rates. For most bicyclists, the monthly payments on the one-year loan will average about the same as their monthly bus expenses.

M. Iannaci

Gerhard Menckhoff

"We're trying to force the market to provide cheaper bicycles than are available now," Menckhoff says. At least two companies, including one in Arequipa, Peru, may soon introduce lower cost models in the area, he says.

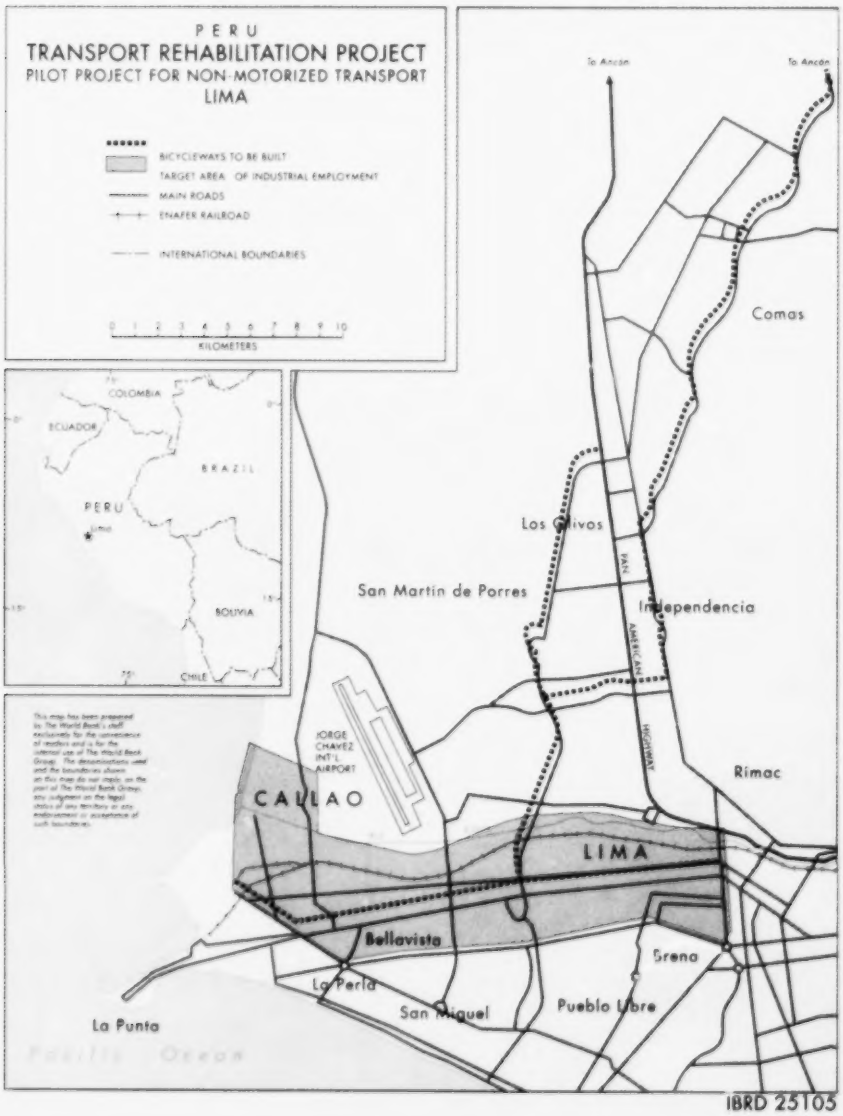
"If this pilot program proves successful, we could do more of the same sort of thing in Lima and elsewhere in Peru," he says. "Wherever the conditions are right and there is a lot of poverty, the idea of making bicycles affordable is worth considering."

The bicycle program is only a small component of Peru's larger transport rehabilitation project, which includes a $38 million loan from Germany, $5 million from the OPEC Fund and $49 million from Peru in addition to the Bank's financing.

The project will rehabilitate 725 km of roads connecting the agricultural interior with the coast, and provide for routine maintenance on an additional 620 km. It will rebuild old bridges in the country and strengthen the ability of Peru's road agencies to manage and maintain their road and bridge network.

The project also includes funds for urgent repairs on the main runway at Lima airport, where deterioration could put planes at risk. And it will rehabilitate the disintegrating national railway so the government can move ahead with its plan to sell the system.

"There is a danger that before they can privatize it, the trains will come grinding to a halt," Menckhoff says.□



LENDING

China Taps Natural Gas to Fuel Development and Protect Environment

China is taking an environmentally sound approach to boosting economic growth and living standards in the poor Sichuan Province by tapping into one of the region's major assets--the biggest reserves of cleaner-burning natural gas in the country.

With help from a $255 million World Bank loan approved March 17, China will spend almost $1 billion to develop new gas fields, rehabilitate old wells and improve gas transmission in the southwestern province.

Sichuan is China's most populous province. It has 110 million people, almost 90 percent of whom are farmers. But Sichuan's per-capita income is only half the national average, partly because an acute energy shortage has hindered its economic growth.

"During peak years of the project, natural gas production in Sichuan Province will be double what it would have been without the project," says Selina Shum, a senior financial analyst in the Bank's Central Asia region. "Supplying Sichuan with a significant amount of clean energy in the form of natural gas is really promoting the cornerstone of environmentally sustainable development."

Using more gas will mean using less coal, almost three million fewer tons each year. That will lower emissions of greenhouse gasses and acid-rain pollutants and reduce health risks in the region.

The project will finance 100 new wells, gas gathering and processing facilities and seismic exploration. Under the plan, output will be boosted in almost 200 rehabilitated wells, leading to a yield, with the new wells, of an additional 68 billion cubic meters of gas between 1995 and 2015.

The project also includes a $10 million grant from the Global Environment Facility for environmental upgrades on the transmission network to reduce leakage of methane and other harmful greenhouse gasses.

The Sichuan project is part of wider changes being undertaken by China to relieve technical and financial restraints that have blocked greater development of natural gas. In addition to increasing production, China will restructure the oil and gas industry as part of the government's continuing economic reforms. Training and technical assistance under the project will help transform the provincial and national petroleum corporations into joint-stock companies. And the government will also institute market-based gas pricing and allocation policies.

"This project is part of an ongoing process put in motion by the Chinese government," Shum says, "to progressively reform the management, pricing and allocation of natural gas." □

Fund Gets $2 Billion to Fight for Global Environment

More than 80 industrialized and developing countries last week took a major step forward in the struggle to protect the environment and promote sustainable development when they agreed to restructure and replenish the Global Environment Facility (GEF). The agreement is the first major concrete achievement to emerge from the 1992 Earth Summit in Rio de Janeiro, Brazil.

The GEF makes grants to developing countries to help them pay the costs they incur in fighting global environmental problems such as climate change, pollution of international waters, loss of plant and animal species and ozone depletion.

Under the agreement, 26 countries, including several developing countries, pledged more than $2 billion to fund the GEF over the next three years. The agreement, reached at a meeting in Geneva March 14-16, increases the likelihood that the GEF will be named a funding vehicle for the conventions on climate change and biodiversity signed at the Earth Summit. These conventions have just come into effect.

"The Geneva agreement marks a significant step forward in alleviating the growing pressures on the global environment," says Mohamed El-Ashry, head of the Bank's Environment Department and GEF chairman. "It is the first major financial accomplishment since Rio."

After 15 months of negotiation, the governments settled on a complex "double majority" voting system in a 32-member council to protect the interests of both donor and recipient countries. The voting system will be invoked only when

See GEF, *page 4*

Embassy of Botswana

GEF helps developing countries pay the costs of protecting endangered species.

GEF Provided $725 Million in First Three Years

GEF, *from page 3*

consensus is impossible. Day-to-day implementation of the GEF falls to the World Bank, the United Nations Development Programme and the United Nations Environment Programme.

"This is a truly significant effort by the international community in its commitment to global environmental protection," says Bank Vice President Johannes Linn, who led the effort to mobilize resources.

Mohamed El-Ashry

GEF was established as a pilot program in 1991 to address a lack of funding for poor countries to pay global environmental costs over and above their national development priorities. Originally 24 countries–7 developing and 17 industrialized–signed up with more than $1 billion for the three-year experiment. The new agreement embraces 87 nations.

So far, 112 projects worth $725 million have been endorsed by GEF participants. Of these, 45 projects worth almost $300 million have received final clearance. (A new GEF grant of $10 million will provide environmental upgrades to a Bank-supported natural gas project in China. See story, p. 3).

The GEF will also work to mobilize financing from other sources, transfer environmentally sound technology and help countries incorporate global environmental planning in their national development.

Additionally, a GEF small grants program can make money available to grassroots groups and non-governmental organizations working on projects related to global environmental issues.

The first work programs are expected to come before the new GEF Council in December, 1994.□

IFC News

Russian Farmers Get Chance to Own Land as Privatization Moves Forward

Russia is taking bolder steps to privatize its vast system of collective farms with help from a pilot program promoted by the International Finance Corporation (IFC), the private sector investment arm of the World Bank.

This week near Nizhny Novgorod, a city 400 km east of Moscow, workers on a state livestock and grain farm are set for the first time to take ownership of their farmland following a March 10 auction. This was the third sale of a collective farm in the region under the program. Two more are to be sold by early April.

Russian officials who attended the auction, including Prime Minister Viktor Chernomyrdin, praised the program as a national model for the privatization of state farm lands. The pilot project was designed by an IFC team with both Russian and international members.

"This is a first step in the creation of a real private land market in Russia," says Gretchen Wilson, the IFC project manager for the program. "The overwhelming support of government officials representing different political factions was one of the most positive things to come out of Russia in a long time."

IFC is now moving to help the country implement the program on a broader scale. According to Wilson, the group has received requests from both the agriculture and privatization ministries in Moscow for help in expanding the project.

The Nizhny Novgorod region itself will privatize up to 100 more farms in the next year, and the project will move into a second pilot region. Farmers from several regions, including some as far away as Byelorussia and Siberia, have traveled to Nizhny to see the program.

"We've had lots of interest from the regions," says Wilson. "They've come to see what we're doing here, and we haven't even advertised it."

Under the program, members of collectives can elect to divide their farms and then bid on parcels of land to work individually or in partnership with other owners. Eight new businesses have emerged from the auction of the latest collective, known as the 60 Years of October Farm.

Members living and working on the farm are automatically entitled to equal shares of the land. But they buy equipment and supplies with bidding certificates based on their seniority in the collective. Only the certificates can be used in the closed auction.

> **"The overwhelming support of government officials representing different political factions was one of the most positive things to come out of Russia in a long time."**
> **- Gretchen Wilson**

Regional Governor Boris Nemtsov, known as a strong proponent of market reforms, started the program in partnership with IFC to privatize five farms along the Volga River with financial backing from the U.S. Agency for International Development and the British Know-How Fund. A 50-person IFC team, three quarters of which are Russians, has worked for over a year on farms in the region to design and implement the program.

The farms in the pilot project were selected as typical of farms in the region and across Russia, where more than 90 percent of farming is collective. The 3,200-hectare 60 Years of October Farm encompassed 27 villages, had more than 800 farmers and pensioners as members and produced meat, milk, flax, grain and sheep.□

Development Agenda

Date	Event	Sponsor	Location	Telephone
MARCH				
21-29	World Telecommunication Development Conference	ITU	Buenos Aires	(41-22)730-5111
28	Meeting with French and African Business Representatives	World Bank	Paris	(33-1)4069-3016
APRIL				
4-7	Fifth Global Warming Science and Policy International Conference and Expo	Global Warming International Center	San Francisco	(708)910-1551*
4-9	21st World Conference of the Society for International Development	SID	Mexico City	(0939)6591-7897
5-9	Meeting of the Program on Environment Information Systems	Advisory Committee of EIS	Harare, Zimbabwe	(202)473-4332
11-13	Annual Meeting of the Board of the Inter-American Development Bank	IDB	Guadalajara, Mexico	(202)623-3435*
12-14	Ministerial Meeting on Sustainable Settlement and Development of the Onchocerciasis Control Programme Area	World Bank	Paris	(33-1)4069-3016
19-20	Bangladesh Aid Group Meeting	World Bank	Paris	(33-1)4069-3016
23	G-24 Meeting of Deputies	World Bank	Washington	(202)473-1784*
24	G-24 Meeting of Ministers	World Bank	Washington	(202)473-1784*
25	Interim Committee	World Bank	Washington	(202)473-1784*
26	Development Committee Spring Meeting	World Bank	Washington	(202)473-1784*
28-29	Annual Bank Conference on Development Economics	World Bank	Washington	(202)473-1062*
28-29	Nepal Aid Group Meeting	World Bank	Paris	(33-1)4069-3016

Editor's Note: *Development Agenda* is a feature that alerts journalists to key news events in the field of economic development. Journalists should contact sponsoring agencies for details about each event. Asterisk (*) indicates telephone number is in the U.S.A. All other telephone numbers include country and city codes.

LENDING

IDA Delivers $75 Million to Help More CFA Countries

World Bank assistance to Francophone African countries that recently sharply devalued their currency picked up speed last week with adjustment credits to three countries totaling SDR 54.6 million ($75 million) from the International Development Association (IDA).

The three separate $25 million credits, approved March 18, will go to Mali, Niger and Senegal, three of the countries that halved the value of their shared CFA franc against the French franc.

Credits for other CFA countries have been approved and others are expected soon following the Bank's pledge to provide rapid assistance if the countries implement agreed reforms.

At a February Paris meeting following the 50-percent devaluation of the CFA franc, Bank officials praised the action as a way of reversing the region's economic crisis.

"This courageous action provides a unique opportunity to relaunch the adjustment and development process, to revive growth and address in a sustainable way the poverty that afflicts these countries," said Edward Jaycox, vice president of the Bank's Africa region after the meeting.

The credits, aimed at reducing the social impact of the reforms, will provide the countries with the foreign exchange needed to import goods and services.□

Consultative Groups Pledge Assistance to Sierra Leone and Zambia

The consultative group for Sierra Leone meeting in Paris on March 17 and 18 pledged $350 million to fill the country's financing gap for 1994.

The group praised Sierra Leone's recent comprehensive economic reforms, which have cut inflation from over 100 percent in 1991 to a current 15 percent. The government now plans to emphasize private sector development, bank reform, privatization and human resource development.

Group members include France, Japan, Sweden, Switzerland, the United Kingdom, the United States and several international organizations.

The consultative group for Zambia, also meeting in Paris, pledged more than $1.13 billion in assistance to the country for 1994. The amount, if fully delivered, marks the first time in the group's history that Zambia's financing gap will be closed by pledge increases and the country's own efforts to reduce foreign exchange needs.

The group, meeting March 22 and 23, praised Zambia's achievements in reforming fiscal policy and bringing down inflation.

Where Lending Is Going

CHINA A $350 million World Bank loan will help China expand energy production in the eastern province of Jiangsu. The project includes building a coal-fired thermal power plant at Yangzhou, transmission lines, training in financial and management capacity and environmental programs.

PAKISTAN Pakistan will address widespread environmental degradation in the Balochistan Province with a credit of SDR 10.7 million ($14.7 million) from the International Development Association (IDA) approved March 22. The project will fortify environmental agencies and fund rangeland/watershed rehabilitation, forest conservation, national parks, sand dune control and education programs.

UGANDA A credit to Uganda of SDR 30.5 million ($42.3 million) approved March 17 by IDA will help the country expand provision of clean water and sanitation to small towns that still need help. The project will expand and repair water and waste facilities in 12 small towns throughout the country and in the city of Jinja. The program is designed to improve health and to free up the time women must spend gathering water.

WORLD BANK NEWS

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WORLD BANK NEWS

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LENDING

India Water Project to Coax New Crops from Old Canals in State of Haryana

The State of Haryana has long been a centerpiece of Indian agriculture. In spite of an arid climate, productive farmers in the northwestern state helped lead India through the Green Revolution and typically boost crop yields well above the national average.

But farming in Haryana has outgrown its already sparse water supply, and without better irrigation systems and water management, India's plans for agricultural expansion in the state may well wither.

Canals reach 75 percent of Haryana farmland.

A new credit of SDR 187 million ($258 million) from the International Development Association (IDA)will help finance Haryana's $483 million plan to rehabilitate and modernize its vast network of irrigation and drainage canals. And the project, approved March 29, will strengthen the government's ability to plan, maintain and manage all water use in the region to meet expanding demands from farms, households, cities and industries.

"Most of the surface and groundwater has been developed," says Shamima Khan, an economist in the Bank's South Asia region. "There will be no increasing supply to match increasing demand. What we have to look at now is more efficient use and conservation and management of the limited resource."

Almost 80 percent of Haryana's 13 million people work in the rural sector, and agriculture makes up close to half the state's economy. Surprisingly, most of the region is arid or semi-arid, with no perennial rivers and huge areas underlain

See INDIA, *page 2*

Private banks will finance part of China power project. 2

China could lose almost all exports to the United States if the U.S. government reverses Most Favored Nations trade status. 3

Jamaica set to move beyond traditional exports. 4

Press advisories, pages 4,6

Development agenda, page 5

Lending roundup, page 6

India: New Crops, Old Canals

INDIA, *from page 1*

with brackish waters.

Haryana's successful farming in large part hinges on an extensive irrigation latticework, more than 12,000 km of canals delivering fresh water to 75 percent of the state's arable land. The system, parts of which date from the 1850s, also delivers water to power plants, fisheries and several rural and urban communities, including Delhi. But decades of deferred maintenance and bad management have taken their toll: the leaky canals, crumbling locks and clogged drains cannot support Haryana's growing demands for water.

M. Iannacci

Shamima Khan

The project's rehabilitation program will reline thousands of kilometers of canals and water courses, clear away silt, shore up collapsing banks and rebuild or replace almost 6,000 masonry bridges, falls, gates and other structures. Modernization plans, which will introduce new water control and conservation techniques, will save more than 300 million cubic meters of wasted water a year and provide farmers with more reliable, timely irrigation. Once the canal network is brought up to date, a major goal of the project is to leave behind local agencies capable of overseeing the system and staving off a return to deterioration.

"After the project is over, that won't be the end of the system," says Khan. "We are trying to help put institutional capacity in maintenance, planning and management."

To that end, the government is launching a major reform of the Haryana Irrigation Department (HID). The project will provide equipment, technical assistance, training and experts to transform HID into a specialized water resource agency able to collect data, conduct research and train their own staff.□

FINANCE

Bank Program Links Private Lenders, Developing Countries

Private banks, for the first time, will help finance a World Bank project in China.

Under an innovative program in which the World Bank co-signs part of a commercial loan, a collection of commercial banks in the United States, Japan and Europe will lend $120 million to China on top of a $350 million World Bank loan to boost power generation in the fast growing Jiangsu Province.

China is the third borrower to benefit from the Bank's growing commercial cofinancing program, which seeks to give developing countries greater access to private sources of money. The program, known as the Expanded Cofinancing Operation (ECO), uses the Bank's financial credibility to coax commercial lenders into partnership with poor countries that otherwise may not qualify for private loans.

"The World Bank's guarantee function is a very effective tool to involve the private sector in developing countries," says Kyoichi Shimazaki, a senior officer in the Bank's cofinancing department.

In China, the commercial loans form part of the country's $1.08 billion plan to reduce acute power shortages in the eastern province of Jiangsu. The government will build a 1,200-megawatt thermal power plant in Yangzhou and new transmission lines into the region. The new plant will provide crucial energy and phase out heavier polluting older plants.

Infrastructure projects, such as energy, roads and telecommunications, are particularly suitable for ECO financing because they require the sizable capital investments private banks can provide. Commercial investors, familiar with scores of infrastructure projects in industrialized countries, are considered more likely to fund similar plans in the developing world.

"They already have experience with big infrastructure projects," says Shimazaki. "They can transfer that experience to developing countries."

The ECO program began in 1989, but has been slow to develop. The Jiangsu power project is the first since projects in Hungary and Pakistan were approved with ECO commercial financing in 1990 and 1991. But the Bank is picking up the pace of ECO lending, with a planned second loan to China and energy and telecommunications projects in the works for the Philippines and Jordan.

Private banks can be an important source of funding for development projects in several ways. Commercial capital can close gaps left by World Bank lending, which is limited annually for each country. Private lending doesn't put additional strains on the aid budgets of donor countries. And each successful commercial loan improves the credit record of the borrowing nation.

> **The World Bank's guarantee function is a very effective tool to involve the private sector in developing countries.**
>
> **- Kyoichi Shimazaki**

"The ECO program will enable private sector investors and lenders to become familiar with these types of projects," says Shimazaki. "Then, in the future, they may finance projects without any government or World Bank guarantees."

For the China project, the Bank agreed to pay off about 21 percent of the $120 million principal if the government fails to do so for any reason, including ordinary commercial setbacks. Guarantees for other loans may cover only political or "sovereign risks," and pay the lender only if the borrowing government intervenes in or suspends the project.

"ECO guarantees can be structured flexibly to meet any project requirements," says Shimazaki.□

Loss of Most Favored Nations Trade Status Could Cost China All Its U.S. Exports

If the U.S. government decides to strip China of Most Favored Nations (MFN) trade status, it could all but wipe out the country's $16 billion in exports to the United States, according to a World Bank study projection.

Using tariff databases to calculate the effect of higher, non-MFN duties on Chinese imports, the study estimates that China could lose between 43 percent and a "worst case" 96 percent of its U.S. exports. The different scenarios depend on different assumptions about U.S. consumer response to higher priced Chinese goods and about the ability of other suppliers to substitute for Chinese exports.

U.S. consumers could expect to see prices rise sharply on a range of cheap imports if China loses MFN status, which allows the country to import to the United States under advantageous tariff schedules. General tariffs are often five to 10 times higher than MFN rates, and tariffs on Chinese goods ranging from frozen fish to clothing and watches would jump sharply if the U.S. government removes China from the MFN list.

The MFN projection is part of a new Bank study on China's efforts to expand external trade.

🕮 *Journalists can obtain complimentary copies of* China: Foreign Trade Reform *by writing on company letterhead to the World Bank, Office of the Publisher, Marketing Unit, Room T-8054, Washington, D.C. 20433. Fax: (202) 676-0579.*□

What Loss of MFN Could Mean to Chinese Exports to U.S.

Description	US tariff %		1990 import value ($000)	Projected Decline from MFN Loss if:	
	MFN	General		Chinese exports are less substitutable	Chinese exports are highly substitutable
Fresh or frozen shellfish	0.0	22.0	398,148	-33.1	-100.0
Gray woven cotton fabrics	8.3	18.4	142,304	-14.3	-20.9
Made-up textile articles	9.4	60.0	266,135	-71.1	-97.1
Textile floor coverings	5.1	48.0	79,260	-63.6	-100.0
Iron and steel tubes and pipes	5.9	25.8	55,426	-28.1	-50.3
Accounting and statistical machines	3.7	35.0	82,939	-43.8	-100.0
Radio broadcast equipment	4.7	35.0	516,632	-43.1	-98.0
Bicycles	8.7	30.0	38,831	-28.3	-92.7
Furniture	6.9	45.0	167,986	-51.5	-100.0
Travel goods and handbags	15.4	46.0	741,092	-41.4	-100.0
Clothing of textile fabric	15.3	55.0	2,159,043	-51.5	-99.5
Headgear	7.7	52.5	62,687	-62.1	-100.0
Footwear	14.8	34.3	1,539,008	-25.5	-92.2
Watches and watch movements	4.6	65.0	81,446	-84.1	-100.0
Toys and indoor games	7.4	38.0	2,290,071	-44.2	-99.3
All products listed above	13.4	42.0	8,621,008	-42.9	-96.4
Implied effects on all imports from China			16,260,811	-42.9	-96.4

LENDING

Jamaican Exporters Set Their Sights on World Markets

When it comes to supplying the world with certain island commodities, some Jamaicans are already export experts. For decades the Caribbean nation has provided other countries with spices, rum, hot sauces, bauxite and, most notably, tropical tourism.

But high tariffs and other trade barriers have kept Jamaica from playing up to its full potential in the world economy, and its economic growth since independence has been sporadic and weak.

Now Jamaica, which is knocking down many of the hurdles to free trade and anticipating real economic growth, wants to fortify its export base. With help from a $35 million World Bank loan approved March 25, Jamaica aims to expand the number and types of goods and services it sells to the rest of the world.

"Jamaica has very strong aspirations to export," says James Hanna, an operations officer in the Bank's Latin America and Caribbean region. "The stuff they are exporting now, they've been exporting for 30 or 40 years. There should be a broader range of products they can sell abroad."

The project, which mobilizes an additional $17 million from financial institutions and Jamaican private enterprises, has two main parts: one bolsters export firms with enterprise-specific financing and training to help them break into distant markets; and a second component strengthens the financial sector's ability to serve all businesses, including exporters.

Traditional exports aside, Jamaicans have little expertise in marketing their goods overseas. Most firms have no experience in the skills of successful exporting, such as an understanding of market research, packaging, labeling and foreign regulations. Ignorance of another country's health and safety standards, for example, could block Jamaican products at the border.

"You can't just throw things in a box and ship them," says Hanna.

Under the project, the Jamaican Exporters' Association will supply training and provide specialists to help businesses learn the tricks of world trade. With such instruction, Jamaica is likely to develop new products to export and expand emerging ones such as apparel and data processing services.

Jamaica also plans to strengthen its free-trade system. Free-trade zones—which allow businesses operating in them to export free of taxes and tariffs—already generate almost half the country's merchandise export activity. The government will allow private enterprises to set up more of the zones and put existing public zones under more efficient private management.

Meanwhile, the program's credit and training components will help Jamaica jumpstart new companies as well as assist old ones. Many established businesses face sink-or-swim prospects as free trade measures open the door to foreign competition. Firms will have to cut costs, improve quality and shorten delivery times as Jamaicans begin to demand newly available products and styles.

"There are a lot of new economic pressures," says Hanna. "Many local companies will have to restructure if they want to keep their local market share or export."

To help them, the project provides $43 million for banks to lend as long-term capital for companies to expand or build new facilities.

Workers will have access to new vocational and technical training, job referrals and entrepreneurial guidance.□

CFA Adjustment Credits to Burkina Faso, Chad

On March 29, IDA approved two more credits to assist two African countries that recently sharply devalued their currency against the French franc. Credits of SDR 18 million ($25 million) to Burkina Faso and SDR 14.4 million ($20 million) to Chad will help the two CFA countries reduce the social impact of their economic reform programs.

PRESS ADVISORY

World Bank/IMF Spring Meetings April 20-26, 1994

The 1994 Spring Meetings of the World Bank and the International Monetary Fund will be held in Washington, D.C., April 20-26, 1994.

Press registration begins Tuesday, April 19, at 9:00 a.m. For more information on schedules and press accreditation, journalists should contact Laura Roschke, (202) 473-1804 or Bill Brannigan, (202) 473-1784.

Development Agenda

Date	Event	Sponsor	Location	Telephone
APRIL				
4-7	Fifth Global Warming Science and Policy International Conference and Expo	Global Warming International Center	San Francisco	(708)910-1551*
4-9	21st World Conference of the Society for International Development	SID	Mexico City	(0939)6591-7897
5-9	Meeting of the Program on Environment Information Systems	Advisory Committee of EIS	Harare, Zimbabwe	(202)473-4332*
11-13	Annual Meeting of the Board of the Inter-American Development Bank	IDB	Guadalajara, Mexico	(202)623-3435*
12-14	Ministerial Meeting on Sustainable Settlement and Development of the Onchocerciasis Control Programme Area	World Bank	Paris	(33-1)4069-3016
19-20	Bangladesh Aid Group Meeting	World Bank	Paris	(33-1)4069-3016
21-22	Caribbean Group for Cooperation in Economic Develop.	World Bank	Paris	(33-1)4069-3016
23	G-24 Meeting of Deputies	World Bank	Washington	(202)473-1784*
24	G-24 Meeting of Ministers	World Bank	Washington	(202)473-1784*
25	Interim Committee	World Bank	Washington	(202)473-1784*
26	Development Committee Spring Meeting	World Bank	Washington	(202)473-1784*
28-29	Annual Bank Conference on Development Economics	World Bank	Washington	(202)473-1062*
28-29	Nepal Aid Group Meeting	World Bank	Paris	(33-1)4069-3016
MAY				
3-5	Annual Meeting of	Asian Development Bank	Nice, France	(63-2)711-3851

Editor's Note: *Development Agenda* is a feature that alerts journalists to key news events in the field of economic development. Journalists should contact sponsoring agencies for details about each event. Asterisk (*) indicates telephone number is in the U.S.A. All other telephone numbers include country and city codes.

Press Advisory: Briefing on Global Economic Report

Bank Vice President and Chief Economist Michael Bruno will conduct an April 6 pre-publication press briefing on the report, *Global Economic Prospects and the Developing Countries 1994*. The report tracks the performance of developing countries and other economic factors. The report will be available, but the publication and all comments at the briefing are embargoed until 4 p.m. EDT (2000 GMT) Thursday, April 14, 1994. The briefing will be Wednesday, April 6, 2:30 p.m., 701 18th St., NW, Washington, D.C. For more information, contact Bill Brannigan , (202) 473-1784.

Weekly Lending Activities

EGYPT More than a quarter million Egyptian farm families will have new access to credit under a government agricultural modernization plan. An IDA credit of SDR 48.7 million ($67 million) and a $54 million World Bank loan, both approved March 24, are part of the Egyptian plan to improve farm technologies, create off-farm opportunities and make commercial banks more active in rural areas.

ETHIOPIA With help from an SDR 53.7 million credit ($74.3 million) from the International Development Association (IDA), Ethiopia will tap into rich natural gas and liquid petroleum reserves. New fuels from the project will replace wood burning, reduce deforestation and provide the country with its first domestic source of energy needed for industrial development.

INDONESIA An Indonesian project relies on improved skills training to increase competitiveness and productivity. Under the plan, which is partially funded by a $27.7 million World Bank loan, training will be available for workers and job seekers looking for new skills, new entrepreneurs and small business people. The project will strengthen the Indonesian Ministry of Manpower, and companies will get help establishing their own training programs

LAO PDR Unsustainable commercial logging, log poaching, slash-and-burn farming and forest fires are rapidly destroying forests in Lao PDR. A government project, financed in part by an IDA credit of SDR 6.3 million ($8.7 million) approved March 25, will help slow forest loss and improve forest management. The project will set up protected areas, strengthen forest agencies, reform timber prices and train local people in forest protection.

MADAGASCAR Madagascar will speed the development of small private businesses by giving them important work: fixing the badly deteriorated roads around the capital city. An IDA credit of SDR 13.3 million ($18.3 million) approved March 29 will help the government start a program to assist new small firms and award them infrastructure subcontracts.

UGANDA Roads and railroads will get some much needed attention in Uganda under a wide-ranging infrastructure rehabilitation program, supported by an IDA credit of SDR 54.5 million ($75 million) approved March 24. The project includes major repair work to bring roads and railways into shape and will fortify the national and local institutions to better plan, manage and maintain them in the future.

WORLD BANK NEWS

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The World Bank Group is the International Bank for Reconstruction and Development (IBRD), the International Development Association (IDA), the International Finance Corporation (IFC), and the Multilateral Investment Guarantee Agency (MIGA). IBRD is the main lending arm of the World Bank. IDA is the World Bank affiliate that lends on concessional terms to the poorest countries. IFC finances private sector projects and advises businesses and governments on investment issues. MIGA promotes foreign direct investment through guarantees, policy advice, and promotional services.